

Confidential



State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

February 27, 2004

Bruce Evans
Nephi Sandstone Corporation
P.O. Box 137
Nephi, Utah 84648

Subject: Formal Approval of Notice of Intention to Commence Large Mining Operations and Form and Amount of Reclamation Surety, Nephi Sandstone Corporation, Cedar Springs Mine, M/023/059, Juab County, Utah

Dear Mr. Evans:

On February 23, 2004, the Director of the Division of Oil, Gas and Mining formally approved the form and amount of reclamation surety for Nephi Sandstone Corporation's Cedar Springs mine. The reclamation surety in the amount of 30,000 is in the form of a surety bond issued by Travelers Casualty and Surety Company of America. ***The Division hereby grants its final approval of your large mining notice of intention and the reclamation surety for the Cedar Springs Mine.*** You may now continue with your mining operations as outlined in your large mining notice of intention.

Enclosed please find copies of the fully signed and executed Reclamation Contract and surety bond forms for your files. When you were here on February 12, 2004, you received a copy of the Notice of Intention to Commence Large Mining Operations stamped "approved" for your files. If you wish to modify your mining and reclamation plan in the future, please furnish a redlined and strikeout version of the page(s) you wish to change. When the changes reach final approval, a clean version of the pages will need to be submitted to be incorporated into the approved plan.

Thank you for your help and patience in finalizing this lengthy permitting action. Please call me if you have any questions in this regard.

Sincerely,

A handwritten signature in black ink that reads "D. Wayne Hedberg".

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

DWH:jb
Enclosure
O:\M023-Juab\M0230059-Cedarsprings\final\approval-LMO-02272004.doc

FORM MR-RC
Revised September 2, 2003
RECLAMATION CONTRACT

File Number M/023/059

Effective Date Feb 23, 2004

Other Agency File Number n/a

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECEIVED

FEB 12 2004

DIV OF OIL GAS & MINING

RECLAMATION CONTRACT

---ooOoo---

APPROVED

FEB 12 2004

DIV. OIL GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M/023059
Gypsum

"MINE LOCATION":
(Name of Mine)
(Description)

Cedar Springs
12 miles South of
Levan, Ut. on Hwy 28

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

5.9 acres
(refer to Attachment "A")

"OPERATOR":
(Company or Name)
(Address)

Nephi Sandstone Corporation
PO Box 137
Nephi, Ut. 84648

(Phone)

435-623-2332

"OPERATOR'S REGISTERED AGENT":

Name)
(Address)

(Phone)

Bruce H. Evans

PO Box 137

Nephi, Ut. 84648

435-623-2332

"OPERATOR'S OFFICER(S)":

Craig Dansie President

Bruce Evans, Secretary/Treasurer

SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Travelers

"SURETY AMOUNT":

(Escalated Dollars)

\$30,000.00

"ESCALATION YEAR":

2008

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Nephi Sandstone Corporation the "Operator" and the Utah State Division of Oil, Gas and Mining (a Division@).

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. 1023059 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved/accepted Notice of Intention and Reclamation Plan or Notice received October 3, 2003. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Nephi Sandstone Corporation
Operator Name

By Bruce H. Evans
Authorized Officer (Typed or Printed)

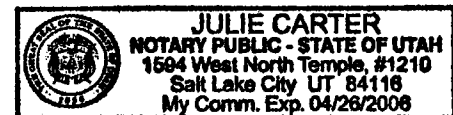
Treasurer
Authorized Officer - Position

Bruce H. Evans 12 February 2004
Officer's Signature Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 12th day of February, 20 04, Bruce H. Evans
personally appeared before me, who being by me duly sworn did say that he/she is the
Treasurer of Nephi Sandstone Corporation and duly
acknowledged that said instrument was signed on behalf of said company by authority
of its bylaws or a resolution of its board of directors and said
Bruce H. Evans duly acknowledged to me that said
company executed the same.

Julie Carter
Notary Public
Residing at Salt Lake



4-26-2006
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton
Lowell P. Braxton, Director

2-23-07
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 23rd day of February, 2007, Lowell P Braxton personally appeared before me, who being duly sworn did say that he, the said Lowell P Braxton is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: S LC ut

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

Nephi Sandstone Corporation
Operator

Cedar Springs Mine
Mine Name

M023059
Permit Number

Juab County, Utah

LEGAL DESCRIPTION

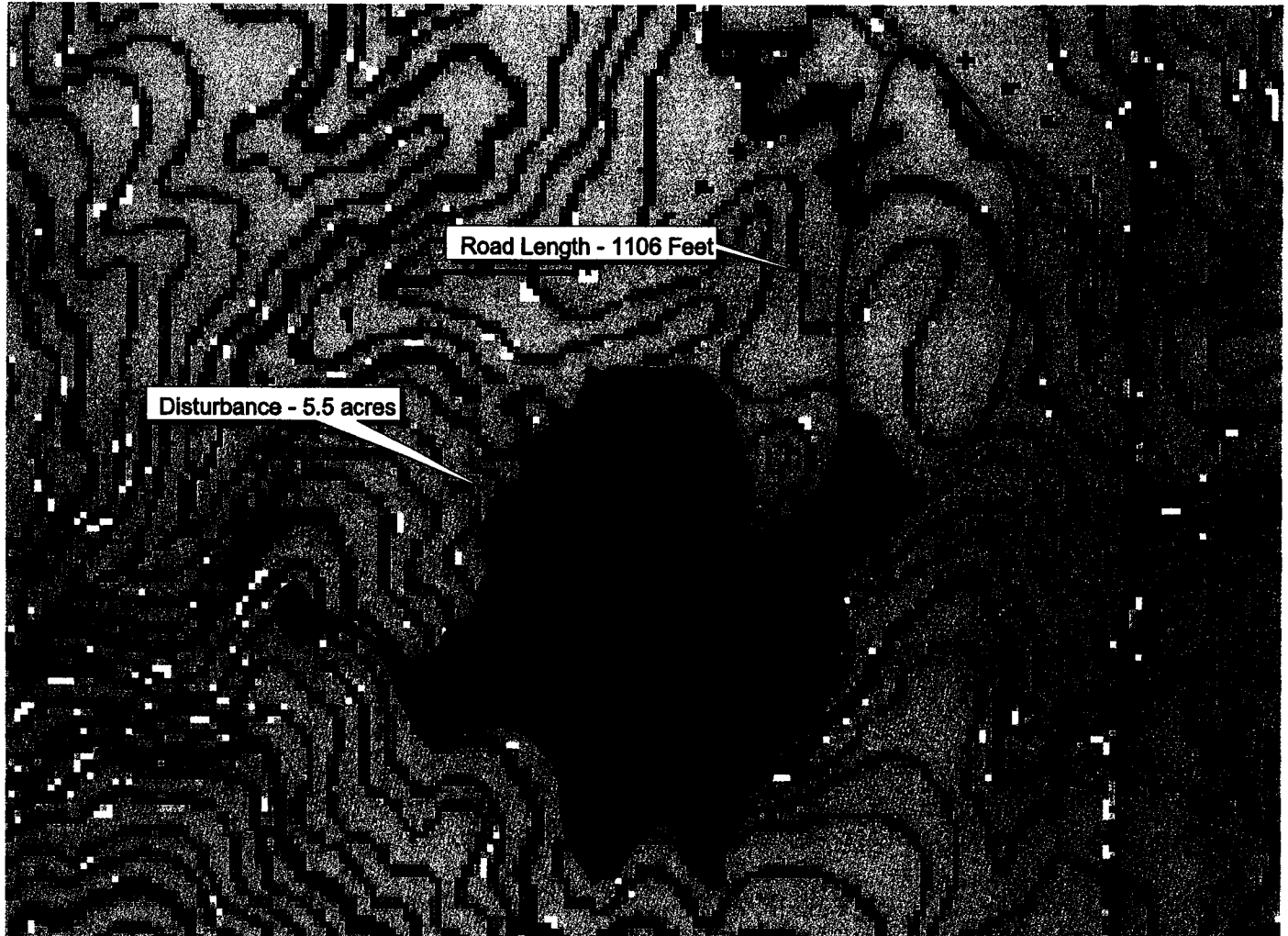
Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 5.9 acres under the approved / accepted permit and surety, as reflected on the attached map labeled

Cedar Springs Mine and dated 16 Jul. 2003 :

NE 1/4 of SE 1/4 of Sec. 15, T16S, R1W, SLB:M.

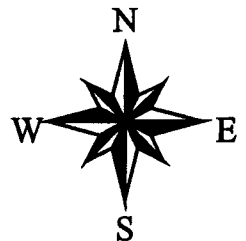
Nephi Sandstone Cedar Springs Mine M/023/059



400 0 400 800 Feet



Access Road and Turn Around
Existing Disturbance



Location: T 16 S, R 1 W, Sec 15
USGS Quad : Skinner Peak Q2319
Inspection Date: July 16, 2003
Participants: Doug Jenson and Tom
Munson, DOGM, Bruce Evans, Nephi Sandstone

This product may not meet DOGM standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers.

DUPLICATE ORIGINAL
EFFECTIVE OCTOBER 3, 2002

ATTACHMENT B

FORM MR-5
January 19, 2000

Bond Number _____
Permit Number m/023/059
Mine Name Cedar Springs

RECEIVED

NOV 25 2002

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Nephi Sandstone Corporation, as Principal, and Travelers Casualty and Surety Company of America, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of Thirty Thousand and NO/100** dollars (\$ 30,000.00).

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 12th day of February, 20 04, that 5.9 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the

11/05/2002
Date

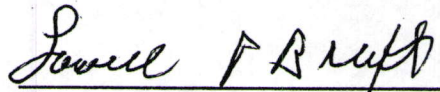
DUPLICATE ORIGINAL
EFFECTIVE OCTOBER 3, 2002

Page 3
MR-5 (revised January 19, 2000)
Attachment B

Bond Number
Permit Number m/023/059
Mine Name Cedar Springs

SO AGREED this 23 day of Feb., 2007.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:



Lowell P. Braxton, Director
Utah State Division of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

Page 4
MR-5 (revised January 19, 2000)
Attachment B

Bond Number
Permit Number m/023/059
Mine Name Cedar Springs

AFFIDAVIT OF QUALIFICATION

On the 5th day of November, 2002, Elizabeth E. Clark
personally appeared before me, who being by me duly sworn did say that he/she, the said
Elizabeth E. Clark is the Attorney-In-Fact of
Travelers Casualty & Surety Company and duly acknowledged that said instrument was
of America
signed on behalf of said company by authority of its bylaws or a resolution of its board of
directors and said Elizabeth E. Clark duly acknowledged to me that said
company executed the same, and that he/she is duly authorized to execute and deliver the
foregoing obligations; that said Surety is authorized to execute the same and has complied in all
respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and
obligations.

Signed: Elizabeth D. Clark
~~Surety Officer~~ Attorney-In-Fact

Title: _____

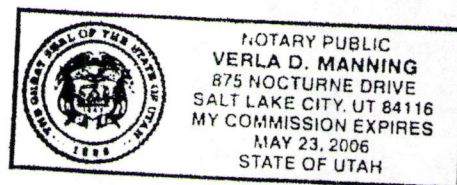
STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

Subscribed and sworn to before me this 5th day of November, 2002.

Verla D. Manning
Notary Public
Residing at: Salt Lake City, UT

My Commission Expires:

May 23, 2006



**TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
Hartford, Connecticut 06183-9062**

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Britney D. Mower, Cathy White, Connie Jauhola, Daniel T. Jackson, Elizabeth E. Clark, Marie Fratto,** of Salt Lake City, Utah, their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY have caused this instrument to be signed by their Senior Vice President and their corporate seals to be hereto affixed this 8th day of February 2001.

STATE OF CONNECTICUT

}SS. Hartford

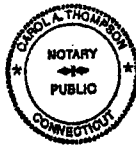
COUNTY OF HARTFORD

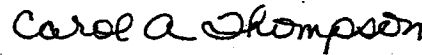
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY



By 
George W. Thompson
Senior Vice President

On this 8th day of February, 2001 before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Senior Vice President of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, the corporations described in and which executed the above instrument; that he/she knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; and that he/she executed the said instrument on behalf of the corporations by authority of his/her office under the Standing Resolutions thereof.





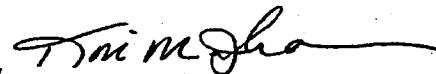
My commission expires December 31, 2002 Notary Public
Carol A. Thompson

CERTIFICATE

I, the undersigned, Assistant Secretary of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, stock corporations of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Boards of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 5th day of November, 2002.



By 
Kori M. Johanson
Assistant Secretary, Bond

RECLAMATION SURETY ESTIMATE					
Nephi Sandstone Company		last revision		10/08/03	
Cedar Springs Mine		filename M023-059.xls			
DOGM file Number M/023/059		Juab County			
Prepared by Utah State Division of Oil, Gas & Mining					
-Because the site is located in steep terrain it is suggested that a trackhoe be used to pull up the slopes of the waste dumps and stockpile area.					
Note: actual unit costs may vary according to site conditions					
last unit cost update 10/07/02					
-Amount of disturbed area which will receive reclamation treatments = 5.9 acres					
-Estimated total disturbed area for this mine = 5.9 acres					
Activity	Quantity	Units	\$/unit	\$	Note
Safety gates, signs, etc (mtls & installation)	0	Sum	200	0	
Drilling & blasting (slope reduction)	8 hours		98	784	
Support labor for drilling effort	13 hours		15	195	
Blasting supplies	1 lot		800	800	
Regrading waste dump slopes - trackhoe	6500 CY		1.16	7540	
Ripping waste dump tops	3 acre		246	738	
Regrading stockpile & compacted areas - trackhoe	0.4 acre		650	260	
Sidecast mtl replacement of steep slopes - trackhoe	1106 LF		1.16	1283	
Surface drainage restoration or construction - trackhoe	600 LF		1.16	696	
Topsoil replacement - dozer	2000 CY		0.50	1000	
Composted manure (10 ton/acre)	5.5 acre		300	1650	
Broadcast seeding	5.5 acre		240	1320	
General site cleanup & trash removal	3 acre		50	150	
Reclamation transportation - pick-up	80 hours		10	800	
Equipment mobilization	4 equip		1000	4000	
Reclamation supervision -10% of reclamation estimate				2238	
	Subtotal			23454	
10% Contingency				2345	
	Subtotal			25799	
Escalate for 5 years at 2.89% per year				3950	
	Total			29749	
Rounded surety amount in year 2008 \$				29700	
Average cost per disturber acre =				5042	

APPROVED
FEB 12 2004
DIV. OIL GAS & MINING